

FCR 7

Office of the President
December 9, 2008

Members, Board of Trustees:

DIGITAL VILLAGE BUILDING #2

Recommendation: that the Board of Trustees (a) approve initiation of the construction of the Digital Village Building #2; (b) accept a pledge of \$6 million from The Marksbury Family Foundation of Lexington, Kentucky and a gift of \$328,125 from James F. McDonald of Barrington, Illinois to support the construction; (c) authorize the President to submit the Marksbury pledge, the McDonald gift, and the previously accepted pledge of \$2 million from James F. Hardymon of Lexington, Kentucky and other non-state General Funds, if necessary, for match from the Research Capital Match Program when those funds become available; and (d) approve the use of lease/purchase financing, if necessary, to fund the cash flow of the project.

Background:

- **PROJECT**: The Digital Village Building #2 will be the second of four buildings in the Digital Village (the Hardymon Building is Building #1). Building #2 will be a 43,000 gross square foot facility housing the research activities of the Center for Visualization and Virtual Environments as well as selected research activities in the departments of Computer Science, Electrical Engineering, and Computer Engineering. The facility will strengthen the university's ability to compete in nanotechnology research leading to significant increases in external research funding, serve as a magnet to high-tech industries, and foster the spin-off and development of small companies.
- **PLEDGES AND GIFT**: Davis and Beverly Marksbury are establishing a family foundation to channel their philanthropic initiatives and have pledged \$6 million over five years for the project. Mr. Marksbury received his Bachelor of Science in Civil Engineering in 1980 and began his successful business career with Shell Oil. He subsequently moved to PDR Engineers, where he formed PDR Information Services. He has launched three successful companies to address complex technology challenges in the document publishing industry, including Exstream, founded in 1998. Mr. Marksbury was a regional winner of the 2003 Ernst & Young Entrepreneur of the Year Award and has twice been a finalist for *Inc.* Magazine's Entrepreneur of the Year Award. He was inducted into the College of Engineering Hall of Distinction in 2008.

James F. McDonald has given \$328,125 towards the project. He received Bachelor and Master degrees from the University of Kentucky in 1962 and 1964, respectively. Mr.

McDonald's successful business career has included executive management positions at IBM, Gould, Inc., Prime Computer, Inc., and J. H. Whitney and Co. He joined Scientific Atlanta as President and Chief Executive Officer in 1993 and continues to serve in that role. He is a member of the UK National Alumni Association Hall of Distinguished Alumni and the College of Engineering Hall of Distinction.

At its June 2007 meeting, the Board of Trustees accepted a pledge of \$2 million for the project from James F. Hardymon, retired chairman and chief executive officer of Textron Corporation, and member of the UK Board of Trustees. Mr. Hardymon, a member of the College of Engineering Hall of Distinction, received a B.S. in Civil Engineering in 1956 and a Master of Civil Engineering in 1958. The James F. Hardymon Building bears his name in recognition of his continuing generous support.

- **SCOPE, FUND SOURCE, AND LEGISLATIVE AUTHORIZATION:** Building #2 is estimated to cost \$20 million, the legislatively authorized scope. The anticipated fund sources include gifts and pledges, state matching funds, fund balances, budgeted funds for infrastructure improvements, and lease/purchase financing, if necessary. Presently, gifts and pledges total \$8.3 million. Pending Board approval, the university will seek and it is anticipated that the university will receive \$8.3 million of state matching funds from the Research Capital Match Program (see below). The matching funds will likely become available in July 2009 through a process to be established by the Council on Postsecondary Education (CPE). The College continues to raise funds for the project.

Contingent upon approval by the Board of Trustees, the university will request legislative authorization from the Capital Projects and Bond Oversight Committee to change the financial plan. The university will request that the committee authorize changing from lease/purchase to a combination of various sources at its January 2009 meeting.

- **RESEARCH CAPITAL MATCH PROGRAM:** The 2008 Kentucky General Assembly authorized \$33.3 million in General Fund supported bonds for the University of Kentucky through the Research Challenge Trust Fund to support the Endowment Match Program and the newly created Research Capital Match Program. The university is given the flexibility to determine the allocation of funds for traditional Endowment Match Program activities and capital projects (the Research Capital Match Program). There is a dollar-for-dollar matching requirement for both. The governing boards are required to report the allocation to various state government officials no later than June 30, 2009. The president will bring a recommendation for the allocation of funds to the Board of Trustees before the deadline.

Action taken: Approved Disapproved Other _____